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## In our opinion... , August 2009

American Institute of Certified Public Accountants. Audit and Attest Standards Team

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# In Our Opinion...

The Newsletter of the AICPA Audit and Attest Standards Team

August 2009

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## SOP for Performing Agreed-Upon Procedures Related to XBRL

by Judith Sherinsky

In January of this year, the Securities and Exchange Commission (SEC) adopted rules requiring issuers to provide their financial statements to the SEC and on their corporate Web sites in interactive data format using eXtensible Business Reporting Language (XBRL). The final rule, "Interactive Data to Improve Financial Reporting," can be viewed on the SEC's Web site at <http://www.sec.gov/rules/final/2009/33-9002.pdf>

XBRL is a global standard in which unique electronically readable codes (tags) have been assigned to the items in financial statements (or other business reports). In preparing financial statements in XBRL format, tagging can be thought of as placing a unique barcode on each item of information in the financial statements so that XBRL-enabled software can search for a specified tag, recognize it, and retrieve it. Software enables the XBRL- tagged data to be rendered in human readable form so that it looks like financial statements.

Taxonomies are dictionaries that contain the terms used in financial statements and other business reports and their corresponding XBRL tags. Taxonomies specify the tags to be used for individual items of information, such as the tag for the line item "cash and cash equivalents." Taxonomies also identify relationships between terms, for example, the term "cash and cash equivalents" is related to the term "current assets." Business rules also can be expressed within a taxonomy, such as "the beginning balance of cash and cash equivalents plus the net changes in cash must equal the ending balance of cash and cash equivalents." Reporting companies may add to the dictionaries of terms, relationships, and business rules (that is, extend the taxonomy).

In order for XBRL to be a useful tool for investors and other users of business information, the data in the XBRL files must be accurate and reliable. Preparers of XBRL-tagged data, whether issuers or nonissuers, are responsible for providing accurate information on which investors and other users of business information may rely. The SEC rules emphasize that the SEC expects preparers of tagged data to take the initiative to develop practices to promote complete, accurate, and consistent tagging.

SEC rules do not require CPA association with the XBRL-tagged data. However, because of factors such as a company's limited experience with XBRL and its desire to ensure the accuracy and reliability of the data, management may engage a CPA to assist in assessing the completeness, accuracy, or consistency of the XBRL-tagged data. For example, management may ask a CPA to perform procedures to assist in assessing whether

- the taxonomy tags or extensions selected are appropriate.
- the rendering accurately reflects the source document (the financial statements).
- the XBRL files comply with other aspects of XBRL that cannot be assessed solely by looking at a rendering

To assist CPAs who receive requests for such services, the XBRL Assurance Task Force of the AICPA's Assurance Services Executive Committee has developed Statement of Position (SOP) 09-1, *Performing Agreed-Upon Procedures Engagements That Address the Completeness, Accuracy, or Consistency of XBRL-Tagged Data*. The SOP, which is issued under the authority of the Auditing Standards Board, provides guidance on performing and reporting on agreed-upon procedures related to the completeness, accuracy, or consistency of XBRL-tagged data. These engagements are performed under AT section 201, *Agreed Upon Procedures Engagements*, of Statements on Standards for Attestation Engagements. In addition to illustrative procedures and findings, the SOP contains an illustrative engagement letter, management assertion, representation letter, and agreed-upon procedures report tailored to these types of engagements. Particularly helpful is a glossary that contains terms related to XBRL-tagged data, their technical definition, and a nontechnical clarification of the definition.

To obtain a copy of SOP 09-1, see the ordering information on page 17 and request product number 014947.

## Proposed Overall Objectives SAS and Preface to Auditing Standards

by Ahava Goldman

The Auditing Standards Board (ASB) is considering comments on an exposure draft (ED) issued in September 2008 that contains the following two components

- A proposed SAS that sets out the overall objectives of the independent auditor and explains the nature and scope of an audit designed to enable the auditor to meet those objectives
- A preface to the auditing standards that establishes a framework for those standards

## Proposed SAS

The proposed SAS, entitled *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*, is drafted in accordance with the ASB's clarity drafting conventions, and converges the proposed SAS with International Standard on Auditing (ISA) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*. The proposed SAS would supersede the following AU sections and standards

- AU section 110, "Responsibilities and Functions of the Independent Auditor,"
- AU section 210, "Training and Proficiency of the Independent Auditor,"
- AU section 220, "Independence,"
- AU section 230, "Due Professional Care in the Performance of Work,"
- SAS No. 95, *Generally Accepted Auditing Standards*, and
- SAS No. 102, *Defining Professional Responsibilities in Statements on Auditing*

The proposed SAS states that the overall objectives of the auditor are

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and
- to report on the financial statements, or otherwise as required by the SASs, in accordance with the auditor's findings.

The proposed SAS also:

- explains that each SAS contains an objective, or objectives that provide a link between the requirements and the overall objectives of the auditor. The SASs taken together provide the standards for the auditor's work in fulfilling the overall objectives of the auditor.
- explains the scope, authority, and structure of generally accepted auditing standards (GAAS), and the relationship of the SASs to GAAS.
- includes requirements establishing the general responsibilities of the auditor applicable in all audits, including the obligation to comply with GAAS.
- introduces new guidance in relation to professional skepticism, professional judgment, the implications of the inherent limitations of an audit, and other matters relevant to the application of GAAS.
- requires the auditor to have an understanding of the entire text of a SAS, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.
- introduces the following terms
  - **financial reporting framework**. Examples of financial reporting frameworks are accounting principles generally accepted in the United States of America (GAAP), or International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)
  - **applicable financial reporting framework**. The financial reporting framework adopted by

management in the preparation and presentation of the financial statements

- **fair-presentation framework.** A financial reporting framework that requires compliance with the requirements of the framework and
  - a. acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
  - b. acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

## Proposed Preface

SAS No. 95, *Generally Accepted Auditing Standards*, contains the general, field work, and reporting standards (the 10 standards) that provide a framework for all of the other individual SASs. As part of the Clarity Project, each of the individual SASs is being redrafted to contain an objective and the requirements for meeting that objective. The 10 standards currently are stated as requirements, for example, “The auditor must adequately plan the work and must properly supervise any assistants.” The ASB concluded that a framework of 10 requirements preceding objectives that are followed by requirements to meet those objectives is not a logical model and proposed that the 10 standards be redrafted as overriding principals that govern the audit, supported by the objectives and requirements in the individual SASs. To accomplish this, the 10 standards have been summarized as 7 principles and redrafted in the present tense, rather than as requirements. The plan is to place them in a preface to the other auditing standards.

The proposed principles, entitled *Principles Governing the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*, address the purpose of an audit (purpose), personal responsibilities of the auditor (responsibilities), auditor actions in performing the audit (performance), and reporting (reporting). It is similar to the structure of the 10 standards (general, fieldwork, and reporting). However, the headings “General” and “Fieldwork” have been changed to “Responsibilities” and “Performance,” respectively, to better reflect the content.

The comment period for the exposure draft ended on December 30, 2008. The exposure draft, related supplementary material, and comment letters can be accessed from the Audit and Attest Standards Web site by [clicking here](#). The ASB expects to vote on a final standard at its August 2009 meeting.

## Revisions to AICPA Literature to Reflect New FASB Codification

by Andy Mrakovic

The AICPA Audit and Attest Standards staff has completed its revision of the AICPA’s professional literature to reflect the July 1, 2009 launch by the Financial Accounting Standards Board (FASB) of *FASB Accounting Standards Codification*<sup>™</sup> (Codification). The Codification reorganizes the thousands of U.S. GAAP pronouncements into a single source of authoritative generally accepted accounting principles (GAAP). It is intended to make GAAP easily accessible by providing a user-friendly online research system. The FASB expects that the new system will reduce the amount of time and effort

required to research an accounting issue, increase compliance with standards by improving the usability of the literature, provide accurate information with real-time updates as new standards are released, and assist the FASB in its own research efforts during the standard-setting process.

References to specific material in the Codification are numerical and consist of topic, subtopic, section, and paragraph. This effectively organizes the content without referencing the original standard setter or standard from which the content was derived.

Following is an example of how the text in footnote 4 of AU section 328, *Auditing Fair Value Measurements and Disclosures*, has been revised to reflect the Codification:

#### **Reference in footnote 4 of AU Section 328 Before the Codification**

- <sup>4</sup>. Paragraph 16 of Accounting Principles Board Opinion No. 20, *Accounting Changes*, states that the presumption that an entity should not change an accounting principle may be overcome only if the entity justifies the use of an alternative acceptable accounting principle on the basis that it is preferable.

#### **Reference in footnote 4 of AU Section 328 After the Codification**

- <sup>4</sup>. Paragraphs 1–2 of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 250-10-45 state that a presumption exists that an accounting principle once adopted shall not be changed in accounting for events and transactions of a similar type. Consistent use of the same accounting principle from one accounting period to another enhances the utility of financial statements for users by facilitating analysis and understanding of comparative accounting data. A reporting entity shall change an accounting principle only if either of the following apply:
- a. The change is required by a newly issued codification update.
  - b. The entity can justify the use of an allowable alternative accounting principle on the basis that it is preferable.

The numbers in the FASB Codification reference 250-10-45 mean:

- |     |                                                   |
|-----|---------------------------------------------------|
| 250 | Topic: "Accounting Changes and Error Corrections" |
| 10  | Subtopic: "Overall"                               |
| 45  | Section: "Other Presentation Matters"             |

References to multiple paragraphs (for example paragraphs 1 and 2) are not included in the Codification reference; instead, they are written out to avoid potential confusion. If the reference were to only one paragraph (for example paragraph 1) the "1" would be included at the end of the reference as 250-10-45-1.

The following are two of the many links on the FASB's Web site to help familiarize users with the structure and content of the new Codification

- An online tutorial: <http://asc.fasb.org>
- A Codification Q&A document: [http://www.fasb.org/cod\\_project/Cod\\_overview\\_12-08.pdf](http://www.fasb.org/cod_project/Cod_overview_12-08.pdf)



# Highlights of Technical Activities

The Auditing Standards Board (ASB) performs its work through task forces composed of members of the ASB and others with technical expertise in the subject matter of the projects. The findings of these task forces are periodically presented to the members of the ASB at public meetings for their review and discussion. Highlights of matters addressed by the ASB can be viewed by [clicking here](#).

Many of the projects on the ASB's current agenda are related to its Clarity and Convergence Project, the objective of which is to redraft U.S. generally accepted auditing standards for nonissuers using the ASB's clarity drafting conventions and to converge with standards of the International Auditing and Assurance Standards Board (IAASB). Information about the clarity drafting conventions is included in the pamphlet, "Clarification and Convergence," which can be viewed by [clicking here](#). Additional information about the project can be accessed from the AICPA Audit and Attest Standard's Web site by [clicking here](#).

## Task Forces of the ASB

Following are the current task forces of the ASB and brief summaries of their objectives and recent activities.

**Analytical Procedures Task Force** (Staff Liaison: Mike Glynn; Task Force Chair: Walt Conn). This task force is redrafting AU section 329, *Analytical Procedures*, to apply the ASB's clarity drafting conventions and to converge with International Standard on Auditing (ISA) 520, *Analytical Procedures*. At its August 24–27, 2009 meeting, the ASB will discuss a draft of the proposed Statement on Auditing Standards (SAS) and related issues.

**Application of Accounting Principles Task Force** (Staff Liaison: Andy Mrakovcic; Task Force Chair: Thomas A. Ratcliffe). This task force is redrafting AU section 625, *Reports on the Application of Accounting Principles*, to apply the ASB's clarity drafting conventions. Unlike most other auditing standards that are being converged with a corresponding ISA, there is no ISA that corresponds to AU section 625. The task force expects to present a draft of the proposed SAS at the August 2009 ASB meeting and plans to ask the ASB to ballot the proposed SAS for issuance as an exposure draft.

**Audit Evidence, Specific Considerations for Selected Items Task Force** (Staff Liaison: Hiram Hasty; Task Force Chair: Arthur M. Winstead, Jr.). The task force is redrafting AU section 331, *Inventories*, and AU section 337, *Inquiry of a Client's Lawyer Concerning Litigation, Claims and Assessments*, to apply the ASB's clarity drafting conventions and to converge with ISA 501, *Other Evidence*. The task force will present a draft of a proposed SAS at the October 2009 ASB meeting and will ask the ASB to ballot the proposed SAS for exposure.

**Auditing Accounting Estimates Task Force** (Staff Liaison: Hiram Hasty; Task Force Chair: Megan Zietsman). This task force is redrafting AU section 342, *Auditing Accounting Estimates*, to apply the ASB's clarity drafting conventions and to converge with ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures*. Consistent with the approach taken by the IAASB, the ASB has directed the task force to combine AU section 342 with AU section 328, *Auditing Fair Value Measurements and Disclosures*. At its June 2009 meeting, the ASB approved the proposed SAS for exposure. At that meeting, the ASB deliberated the disposition of AU section 332, *Auditing Derivatives Estimates*, and concluded that many of the requirements in AU section 332 are redundant or very similar to requirements in the risk assessment standards. The ASB believes these requirements are best addressed as interpretative guidance in the Audit Guide, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities*. A few of the requirements in AU section 332 are not covered elsewhere in the standards. The ASB intends to

include these remaining requirements and related application guidance in the proposed SAS *Audit Evidence—Specific Considerations for Selected Items*.

**Auditing Related Party Transactions Task Force** (Staff Liaison: Mike Glynn; Task Force Chair: George P. Fritz). The task force is redrafting AU section 334, *Related Parties*, to apply the ASB's clarity drafting conventions and to converge with ISA 550, *Related Parties*. At the July 2009 ASB meeting, the task force presented a draft of a proposed SAS and the ASB voted to ballot it for issuance as an exposure draft.

**Audit Issues Task Force** (Staff Liaison: Ahava Goldman; Task Force Chair: Harold L. Monk). This task force (1) oversees the ASB's planning process, (2) evaluates technical issues raised by various constituencies and determines their appropriate disposition, including referral to an ASB task force or development of an interpretation or other guidance, (3) addresses emerging audit and attestation practice issues, (4) provides advice on ASB task force objectives and composition, (5) monitors the progress of task forces, and (6) assists the chair of the ASB and the Audit and Attest Standards staff in carrying out their functions, including liaising with other groups.

**Auditors' Reports – 700 Task Force** (Staff Liaison: Linda Delahanty; Task Force Chair: Dan Montgomery). This task force is developing the following three proposed SASs that would supersede extant AU section 508, *Reports on Audited Financial Statements*:

- A SAS that combines the substance of ISA 700, *Forming an Opinion and Reporting on Financial Statements*, and ISA 710, *Comparative Information – Corresponding Figures and Comparative Financial Statements*. At the June 2009 meeting, the ASB voted to ballot this proposed SAS for exposure
- A SAS that converges with ISA 705, *Modifications To The Opinion In The Independent Auditor's Report*. At its August 2009 meeting, the ASB is expected to vote to ballot this proposed SAS for exposure
- A SAS that converges with ISA 706, *Emphasis Of Matter Paragraphs And Other Matter Paragraphs In The Independent Auditor's Report*. At its August 2009 meeting, the ASB is expected to vote to ballot this proposed SAS for exposure

After all three of the proposed SASs have been balloted for exposure, they will be exposed together.

**Auditor's Report Research Task Force** (Staff Liaison: Linda Delahanty; Task Force Chair: Mark Taylor). This task force is charged with identifying research topics and individuals to perform research that addresses the gap between the expectations of users of auditors' reports and the actual standards of performance required of auditors. At its May 2007 meeting, the ASB approved four of the projects that had been proposed. The research is being performed as a joint project of the ASB and the IAASB. The first phase of the research initiative involves identifying common misconceptions report users have regarding an unqualified auditor's report. The research teams reported their findings at the April, June, and July 2009 ASB meetings. A joint working group composed of ASB and IAASB representatives has been formed to consider the initial research findings and provide input to the respective ASB and IAASB task forces, thereby enabling these standard-setters to make recommendations about a way forward. One possibility is to commission a second phase of the research that would explore ways in which the auditor's report might be revised to address user misconceptions identified in the initial research, and to more clearly communicate the report's intended message.

**Clarity Task Force** (Staff Liaison: Ahava Goldman; Task Force Chair: John Fogarty). This task force is developing



- a proposed SAS that sets out the overall objectives of the independent auditor and explains the nature and scope of an audit designed to enable the auditor to meet those objectives, and
- a preface to the auditing standards that establishes a framework for those standards.

Please see the article on page 2, “Proposed Overall Objectives SAS and Preface to Auditing Standards,” for additional information about this project.

**Compliance Auditing Task Force** (Staff Liaison: Judith Sherinsky; Task Force Chair: George Rippey). In December 2008, the ASB issued an exposure draft (ED), of a proposed SAS entitled *Compliance Audits*, that would supersede extant AU section 801, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*. At its July 2009 meeting, the ASB discussed a draft of the proposed SAS that had been revised to reflect comments on the ED. The task force has made additional revisions to the draft to reflect the ASB’s comments and expects the ASB to vote to issue the proposed SAS as a final standard at the ASB’s August 2009 meeting. The ASB issued the ED in response to a recommendation in the June 2007 “Report on National Single Audit Sampling Project,” by the President’s Council on Integrity and Efficiency, that the AICPA revise AU section 801. The report contains the findings of a federal study of the quality of audits performed under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The exposure draft and related comment letters can be accessed from the Audit and Attest Standards web site by [clicking here](#). The PCIE report can be viewed by [clicking here](#).

**Confirmations Task Force** (Technical Advisor: Mindy Montgomery; Task Force Chair: Megan Zietsman). The task force is redrafting AU section 330, *The Confirmation Process*, to apply the ASB’s clarity drafting conventions and to converge with ISA 505, *External Confirmations*. The ASB discussed a draft of the proposed SAS at its December 2008 meeting as well as related issues. The task force will present a revised draft of the proposed SAS at the April 2009 ASB meeting and plans to ask the ASB to ballot the proposed SAS for issuance as an exposure draft.

**Engagement Representations Task Force** (Staff Liaison: Ahava Goldman; Task Force Chair: John Fogarty). The task force is redrafting AU section 333, *Management Representations*, to apply the ASB’s clarity drafting conventions and to converge with ISA 580, *Written Representations*. The task force also will be redrafting portions of AU section 311, *Planning and Supervision*, to apply the ASB’s clarity drafting conventions and to converge with ISA 210, *Agreeing the Terms of Audit Engagements*. The task force will bring drafts of the proposed SASs to the ASB in August 2009 and request that the ASB vote to ballot the proposed SASs for exposure.

**Fraud Task Force** (Staff Liaison: Andy Mrakovic; Task Force Chair: Tom Stemlar). This task force is redrafting AU section 316, *Consideration of Fraud in a Financial Statement Audit*, to apply the ASB’s clarity drafting conventions and to converge with ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*. At its December 2008 meeting, the ASB voted to ballot the proposed SAS for issuance as an exposure draft (ED). The ED can be accessed from the AICPA Audit and Attest Standards Web site by [clicking here](#). The comment period ended on May 29, 2009 and comments are scheduled to be discussed at the ASB’s January 2010 meeting.

**Going Concern Task Force** (Staff Liaison: Judith Sherinsky; Task Force Chair: Jorge Milo). This task force is redrafting AU Section 341, *The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern*, to apply the ASB’s clarity drafting conventions and to converge with ISA 570, *Going Concern*. The auditing guidance in ISA 570 is predicated on International Accounting Standard 1, *Presentation of Financial Statements*, which requires management to assess an entity’s ability to continue as a going concern. Currently, a parallel accounting requirement does not exist in U.S. generally accepted accounting principles and the auditor, rather than management, is responsible for assessing whether an entity is a going concern.

On October 8, 2008 the Financial Accounting Standards Board (FASB) issued an exposure draft (ED) of a proposed Statement of Financial Accounting Standards entitled *Going Concern* that would provide guidance on the preparation of financial statements as a going concern and on management's responsibility to evaluate a reporting entity's ability to continue as a going concern. It also would require certain disclosures when financial statements are not prepared on a going concern basis or when there is substantial doubt about the entity's ability to continue as a going concern. At its June 3, 2009 meeting, the FASB redeliberated the ED and decided to broaden the scope of the project to address certain additional areas. The ASB task force will revise the draft of the proposed SAS presented at the ASB's January 2008 meeting to reflect the FASB's going concern accounting standard.

**Group Audits Task Force** (Staff Liaison: Ahava Goldman; Task Force Chair: Robert Dohrer). The task force is redrafting AU section 543, *Part of the Audit Performed by Other Independent Auditors*, to apply the ASB's clarity drafting conventions and to converge with ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*. The ASB concluded that the revised standard should continue to permit the auditor to make reference in the auditor's report to an audit performed by another auditor. At its July 2009 meeting, the ASB considered a draft of the proposed standard and voted to ballot it for issuance as an exposure draft.

**Initial Audit Engagements Task Force** (Technical Advisor: Julie Anne Dilley; Task Force Chair: Andrew Mintzer). The task force has developed a proposed SAS entitled *Initial Audit Engagements, Including Reaudits—Opening Balances* that combines the guidance in ISA 510 and relevant guidance from AU Section 315, *Communications Between Predecessor and Successor Auditors*. The proposed SAS also explicitly clarifies that a reaudit is a type of initial audit engagement. At its December 2008 meeting, the ASB voted to ballot the proposed SAS for issuance as an exposure draft. The comment period for the exposure draft ends on May 29, 2009. The exposure draft and related supplementary material can be accessed from the Audit and Attest Standards Web site by [clicking here](#).

**Interim Reviews Task Force** (Staff Liaison: Mike Glynn; Task Force Chair: Jorge Milo). The task force is redrafting AU section 722, *Interim Financial Information*, to apply the ASB's clarity drafting conventions and to converge with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial information Performed by the Independent Auditor of the Entity*. The task force plans to present a draft of a proposed SAS at the October 2009 ASB Meeting.

**Internal Control Task Force** (Staff Liaison: Judith Sherinsky; Task Force Chair: Keith Newton). As part of its clarity and convergence project, the ASB is redrafting SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, in clarity format and converging certain aspects of the SAS with ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance*. The ASB issued SAS No. 115 in October 2008 to conform the definitions of the various kinds of deficiencies in internal control and the related guidance for evaluating such deficiencies with the definitions and guidance in Statement on Standards for Attestation Engagements (SSAE) No. 15, *An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements*. Aspects of SAS No. 115 that align with SSAE No. 15, for example, the definitions of the terms *material weakness* and *significant deficiency*, and the list of deficiencies in internal control that are indicators of a material weakness are being retained in the proposed SAS. The ASB will discuss a draft of the proposed SAS and related issues at its August 2009 meeting.

**Internal Audit Task Force** (Staff Liaison: Hiram Hasty; Task Force Chair: Megan Zietsman). This task force will be redrafting AU section 322, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements*, to apply the ASB's clarity drafting conventions and to converge with ISA 610, *Using the Work of Internal Auditors*. The task force expects to present a draft of the proposed SAS at the October 2009 ASB meeting.

**International Auditing Standards Task Force** (Staff Liaison: Hiram Hasty; Task Force Chair: Susan S. Jones). The objective of this task force is to support the development of international auditing standards. Task force activities include providing technical advice and support to the AICPA representative and technical advisors to the IAASB, commenting on exposure drafts of international assurance standards, participating in and identifying U.S. volunteer participants for international standard-setting projects, identifying opportunities for establishing joint standards with other standard setters, identifying international issues that affect auditing and attestation standards and practices, and assisting the ASB and other AICPA committees in developing and implementing AICPA international strategies. The next meeting of the task force will be on September 9, 2009.

**Laws and Regulations** (Technical Advisor: Tania Sergott; Task Force Chair: George Fritz). At its October 2008 meeting, the ASB voted to ballot a proposed SAS, *Consideration of Laws and Regulations in a Financial Statement Audit*, for issuance as an exposure draft. The proposed SAS would supersede extant AU section 317, *Illegal Acts by Clients*, and is based on ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*. The comment period for the exposure draft ends on May 29, 2009. The exposure draft and related supplementary material can be accessed from the Audit and Attest Standards Web site by [clicking here](#).

**Letters for Underwriters Task Force** (Staff Liaison: Ahava Goldman; Task Force Chair: Phil Wedemeyer). This task force is redrafting AU section 634, *Letters for Underwriters and Certain Other Requesting Parties*, in accordance with the ASB's clarity drafting guidance; there is no corresponding ISA. The task force considered whether this section is relevant to nonissuer entities and concluded that it is. Comfort letters could be issued in accordance with this section for 144A offerings, acquisitions of a nonpublic company by a public company, initial public offerings, and other situations in which financial statements of a nonpublic company audited in accordance with generally accepted auditing standards are filed in connection with a security transaction. The task force will present a draft of a proposed SAS and present related issues at the August 2009 ASB meeting.

**Quality Control Standards Task Force** (Staff Liaison: Ahava Goldman; Task Force Chair: Sheila Birch). The task force developed two exposure drafts which were issued in June 2009. The first, Proposed SAS *Quality Control for Audits of Financial Statements*, supersedes AU section 161, *The Relationship of Generally Accepted Auditing Standards to Quality Control Standards*, and converges with ISA 220, *Quality Control for Audits of Historical Financial Information*. The second exposure draft, proposed Statement on Quality Control Standards (SQCS) *A Firm's System of Quality Control* (Redrafted) contains a redrafting of SQCS No. 7, *A Firm's System of Quality Control*, to apply the ASB's clarity drafting conventions. Comments are due on August 31, 2009.

**Reporting on Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country.** (Technical Advisor: Michael Adaszczik; Task Force Chair: Walt Conn). This task force is redrafting AU section 534, *Financial Statements Prepared for Use in Other Countries*, to apply the ASB's clarity drafting conventions. Unlike most other auditing standards that are being converged with a corresponding ISA, there is no ISA that corresponds to AU section 534. The proposed auditing standard would address engagements in which the auditor is reporting on a U.S. entity's financial statements that have been prepared in accordance with a financial reporting framework generally accepted in another country. At its July 2009 meeting the ASB discussed a draft of the proposed SAS and voted to ballot it for issuance as an exposure draft.

**Required Supplementary Information/Other Supplementary Information Task Force** (Staff Liaison: Mike Glynn; Task Force Chair: Jeffery N. Markert). This task force was established to consider current reporting standards that address supplementary information and required supplementary information to determine whether revisions to those standards should be made. At its meeting in December 2008, the ASB approved the proposed SASs, *Required Supplementary Information; Other Information in Documents Containing Audited Financial Statements*; and *Other Information in Relation to the Financial Statements as a Whole*, for public exposure. The proposed

SASs were exposed for comment in one document on January 21, 2009 and the comment period ended on May 15, 2009. 22 comment letters were received as a result of the public exposure of the proposed SASs and can be viewed by [clicking here](#).

At its July 2009 meeting, the ASB discussed drafts of the three proposed SASs that had been revised to reflect comments on the ED, and discussed significant issues raised in comment letters and the disposition of those comments. At its August 24-27, 2009 meeting, the ASB will continue to discuss significant issues with respect to the proposed SAS, *Other Information in Relation to the Financial Statements as a Whole*.

**Risk Assessments Task Force** (Staff Liaison: Hiram Hasty; Task Force Chair: Darrel Schubert). In January 2009 the ASB issued exposure drafts (EDs) of the following standards (the risk assessment standards) which had been redrafted as part of the ASB's Clarity Project.

- Proposed SAS (Redrafted), *Audit Evidence*,
- Proposed SAS (Redrafted), *Materiality in Planning and Performing an Audit*,
- Proposed SAS (Redrafted), *Planning an Audit*,
- Proposed SAS (Redrafted), *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*,
- Proposed SAS (Redrafted), *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*,
- Proposed SAS, *Evaluation of Misstatements Identified During the Audit* (**new**).

The EDs, supplementary material, and comment letters can be accessed by [clicking here](#). At its July 2009 meeting, the ASB discussed issues raised in comment letters as well as drafts of the proposed SASs that had been revised to reflect comments on the EDs. The ASB expects to vote to issue the revised SASs as final standards at its October 2009 meeting.

**SEC Filings Task Force** (Staff Liaison: Andy Mrakovcic; Task Force Chair: John A. May). This task force is redrafting AU section 711, *Filings Under Federal Securities Statutes*, to apply the ASB's clarity drafting conventions. Unlike most other auditing standards that are being converged with a corresponding ISA, there is no ISA that corresponds to AU section 711. The task force expects to present a draft of the proposed SAS at the October 2009 meeting of the ASB.

**Service Organizations Task Force** (Staff Liaison: Judith Sherinsky; Task Force Chair: Walt Conn). In November 2008 the ASB issued an exposure draft (ED) of a proposed SAS, *Audit Considerations Relating to an Entity Using a Service Organization*, and an exposure draft of a proposed SSAE, *Reporting on Controls at a Service Organization*. The two standards would replace AU Section 324, *Service Organizations*, which currently provides guidance to auditors of the financial statements of entities that use service organizations (user auditors) as well as auditors reporting on controls at service organizations (service auditors). The EDs present the guidance for user auditors in a SAS and the guidance for service auditors in an SSAE, as does the IAASB's ISA 402, *Audit Considerations Relating to an Entity Using a Third Party Service Organization*, and the December 2008 exposure draft of International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a Third-Party Service Organization*. The task force presented drafts of the proposed SSAE at the June and July 2009 ASB meetings, respectively, that had been revised to reflect comments on the EDs. In September 2009 the IAASB will finalize ISAE 3402 thereby enabling the task force to make any additional changes to the proposed SSAE that are needed for convergence. The ASB will consider the revised draft of the SSAE at its October 2009 meeting and expects to vote to issue the SAS and SSAE as final standards at its January 2010 meeting.

**Service Organizations Guide Task Force** (Staff Liaison: Judith Sherinsky; Task Force Chair: Joseph Griffin). This new task force is revising the AICPA Audit Guide, *Service Organizations*, in preparation for the issuance of the new SAS and SSAE that will supersede the guidance for service



auditors and user auditors in AU section 324, *Service Organizations*. (The new SAS and SSAE are discussed in the preceding task force summary.) The members of the task force are practitioners who perform service auditors' engagements and they are developing guidance designed to help practitioners in implementing the new standards.

**Special Reports – 800 Task Force** (Technical Advisor: Maria Manassas; Task Force Chair: Susan Jones). This task force is converging AU section 623, *Special Reports*, with

- ISA 800, *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, and
- ISA 805, *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

It also is converging AU section 552, *Reporting on Condensed Financial Statements and Selected Financial Data*, with ISA 810, *Engagements to Report on Summary Financial Statements*

At its July 1 2008 meeting the ASB 1 reviewed drafts of the three proposed SASs and voted to ballot it for issuance as an exposure draft:

**Subsequent Events** (Technical Advisor Maria Manassas; Task Force Chair: Sheila Birch). During its March 3, 2009 conference call, the ASB voted to ballot for issuance as an exposure draft a proposed SAS entitled *Subsequent Events and Subsequently Discovered Facts* that combines the requirements and guidance in ISA 560, *Subsequent Events*, and the relevant content from

- AU Section 508, *Reports on Audited Financial Statements*,
- AU Section 530, *Dating of the Independent Auditor's Report*,
- AU Section 560, *Subsequent Events*, and
- AU Section 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*.

The exposure draft and related supplementary material can be accessed from the Audit and Attest Standards Web site by [clicking here](#). The exposure period ended on July 15, 2009 and the ASB expects to discuss comments on the ED at its January 2010 meeting

**Using the Work of a Specialist Task Force** (Staff Liaison: Hiram Hasty; Task Force Chair: Darrel Schubert). The task force will be redrafting AU section 336, *Using the Work of a Specialist*, by replacing it with two proposed SASs. One SAS will converge with ISA 620, *Using the Work of an Auditor's Expert*, which was issued in August 2008 and addresses situations in which the auditor engages an expert. The other SAS will focus on situations in which an auditor uses as audit evidence the work product of a nonemployee specialist engaged by management, and will expand on the IAASB's amendment to ISA 500, *Audit Evidence*. The task force expects to present drafts of the proposed SASs at the August 2009 ASB meeting

## Other Activities

**Accounting and Review Services Committee (ARSC)** (Staff Liaison: Mike Glynn; Committee Chair: Carolyn H. McNerney). The ARSC is the senior technical committee of the AICPA designated to issue pronouncements in connection with the unaudited financial statements or other unaudited financial information of nonpublic entities. The charge of the ARSC is to develop and communicate, on a continuing basis, comprehensive performance and reporting standards as well as practice guidance that enable practitioners to provide high quality, objective, compilation and review services that serve the profession, clients, and the general public. The ARSC accomplishes this objective by developing

compilation and review standards, timely responding to the need for guidance, and clearly communicating such guidance to the profession and users of financial statements. On April 28, 2009, the ARSC released an exposure draft that would revise the standards for compilation and review engagements. That exposure draft included a trio of proposed SSARs, *Framework and Objectives for Performing and Reporting on Compilation and Review Engagements*; *Compilation of Financial Statements*; and *Review of Financial Statements*. Comments were due on July 31, 2009. The next meeting of the ARSC will be on September 1-3 in Charleston, SC. During that meeting, the ARSC will consider the comment letters received on the proposed SSARs. Highlights of past and current ARSC meetings can be viewed on the Audit and Attest Standards Web site by [clicking here](#).

**ARSC's Reliability Task Force** (Staff Liaison: Mike Glynn; Task Force Chair: Thomas A. Ratcliffe). This task force is considering revisions to the standards for compilation and review engagements – including expanding the applicability of the compilation and review literature to enable an accountant who maintains his or her objectivity to review an entity's financial statements, even though the accountant's independence may be impaired because he or she performed certain services for the entity. At its meeting in September 2009, the ARSC will consider the task force's conclusions regarding the issues raised in the comment letters received on the proposed SSARs *Framework and Objectives for Performing and Reporting on Compilation and Review Engagements*; *Compilation of Financial Statements*; and *Review of Financial Statements*.

**Auditing Standards Committee of the American Accounting Association (AAA)** (ASB/AICPA Liaisons: Douglas Prawitt and Chuck Landes; The Auditing Standards Committee of the AAA is charged with fostering interaction between the AAA's Auditing Section and auditing standard-setting bodies such as the AICPA's ASB. The ASB supports strengthening its relationship with the academic community as well as increasing that community's participation in the standard-setting process. The current chair of the AAA's Auditing Standards Committee is Thomas M. Kozloski of Wilfrid Laurier University.

**International Auditing and Assurance Standards Board (IAASB)** (U.S. Member: John A. Fogarty; U.S. Technical Advisor: Chuck Landes). The next meeting of the IAASB will be on June 15–19, 2009 in Lisbon, Portugal. Copies of the International Federation of Accountants' outstanding exposure drafts; final auditing, assurance, related services, and quality control standards; and information about attending IAASB meetings, which are open to the public, can be found at <http://www.ifac.org/iaasb/>.

**XBRL Assurance Task Force** (Staff Liaison: Ami Beers, Judith Sherinsky; Task Force Chair: Bill Titera). Extensible business reporting language (XBRL) is a format for electronically tagging data that enables users to efficiently access that data. In January 2009, the SEC issued a final rule that requires public companies to provide an XBRL format of their financial statements as an exhibit to their SEC filings and on their corporate web sites. Under the new rules, the 500 largest U.S. public companies and foreign private issuers listed with the SEC would be required to provide financial information using XBRL, beginning with quarterly filings after June 15, 2009. Smaller companies, depending on their size and filing status, would begin reporting in XBRL in 2010 or 2011, with all public companies filing in XBRL within three years. The SEC will provide filers with limited liability for their XBRL financial statements for a period that will phase out over two years; the limited liability provision would terminate completely on Oct. 31, 2014. Please see the article on page 1, "SOP for Performing Agreed-Upon Procedures Related to XBRL," for additional information about the work of this task force.



## Auditing Standards Board Agenda

Codes: DI—Discussion of issues, DD—Discussion of draft document, DP—Vote to approve a discussion paper for public distribution, ED—Vote to ballot a document for exposure, CL—Discussion of comment letters, FI—Vote to ballot a document for final issuance, SU—Status Update, WD—Withdrawal.

August 24–27, 2009 ASB Meeting Nashville, TN	
Project	Expected ASB Action
Analytical Procedures	DD
Auditor's Reports	ED
Compliance Audits	FI
Engagement Representations	ED
Internal Control – AU 325	DD
Letters for Underwriters	DD
Other Information	DD
Overall Objectives	FI
Reports on the Application of Accounting Principles - AU 625	ED
Audit Evidence - Specific Items	DD
Specialists	DD
The Meaning of Present Fairly in Conformity With GAAP (SAS No. 69)	WD

To view a projected timetable of ASB projects through 2010, see the following AICPA Web site:  
[http://www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Audit+and+Attest+Standards/Auditing+Standards+Board/asb\\_project\\_timetable.htm](http://www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Audit+and+Attest+Standards/Auditing+Standards+Board/asb_project_timetable.htm).

# Recently Issued and Approved Documents

## Statements on Auditing Standards (SASs)

Title (Product Number)	Issue Date
SAS No. 116, <i>Interim Financial Information</i> (060711) Effective for reviews of interim financial information for interim periods beginning after December 15, 2009. Earlier application is permitted.	January 2009
SAS No. 115, <i>Communicating Internal Control Related Matters Identified in an Audit</i> . (060710)  Effective for audits of financial statements for periods ending on or after December 15, 2009. Earlier implementation is permitted.	October 2008

## Statements on Standards for Attestation Engagements (SSAEs)

Title (Product Number)	Issue Date
SSAE No. 15, <i>An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements</i> (023034)  Effective for integrated audits for periods ending on or after December 15, 2008. Earlier implementation is permitted.	October 2008

## Interpretations of Statements on Standards for Attestation Engagements

Title	Issue Date
Interpretation No. 7 of AT section 101, <i>Attest Engagements</i> "Reporting on the Design of Internal Control" (AU sec. 9101.59-.69)	December 2008

## Statements on Standards for Accounting and Review Services (SSARSs)

Title (Product Number)	Issue Date
SSARS No. 18, <i>Applicability of Statements on Standards for Accounting and Review Services</i> (060656)  Effective for compilations and reviews of financial statements for periods ending after December 15, 2009. Early application is permitted.	January 2009

## Interpretations of Statements on Standards for Accounting and Review Services (SSARSs)

Title	Issue Date
Interpretation No. 31 of AR section 100, <i>Compilation and Review of Financial Statements</i> , "Preparation of Financial Statements for Use by an Entity's Auditors" (AR sec. 9100.136-.137)	December 2008

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